

- (1) Hormel Foods will compare the aggregate amount that Hormel Foods has paid to [REDACTED] for hogs purchased from [REDACTED] under this Agreement to the total market value, based on Market Prices, of those same hogs.
- (2) "Negative cash position" means that the aggregate amount that Hormel Foods has paid to [REDACTED] for hogs purchased from [REDACTED] under this Agreement exceeds the total market value, based on Market Prices, of those same hogs.
- (3) "Positive cash position" means that the aggregate amount that Hormel Foods has paid to [REDACTED] for hogs purchased from [REDACTED] under this Agreement is less than the total market value, based on Market Prices, of those same hogs.

### 3. HORMEL FOODS' OBLIGATIONS.

- (a) Hormel Foods agrees to pay [REDACTED] on a guaranteed basis as set forth in paragraph 2. for the entire term of the Agreement.
- (b) Inspection, sorting and weighing shall be performed by Hormel Foods at the plant. All hogs delivered under this Agreement must weigh at least two hundred twenty-five (225) pounds. No hogs shall be crippled, lame, sick, overfilled or otherwise unmerchantable at time of delivery. All hogs shall be priced per Hormel Foods' Grade & Yield Buying Program in effect at the time of delivery, which program is subject to change on thirty (30) days' written notice.
- (c) Hormel Foods shall keep all necessary records with respect to the receipt, weighing and payment of all hogs in accordance with its regular record retention and destruction schedule. At the present time, all scale tickets, P&L's and checks are retained for two (2) years. [REDACTED] may inspect such records during normal business hours at locations designated by Hormel Foods upon reasonable notice by [REDACTED] to Hormel Foods. Hormel Foods shall supply copies of such records as [REDACTED] may reasonably request at [REDACTED] expense.

### 4. [REDACTED] OBLIGATIONS.

- (a) All hogs delivered hereunder shall be top quality, healthy and wholesome. [REDACTED] must have in place a genetic program capable of producing lean, uniform sorted hogs that consistently meet Hormel Foods requirements.
- (b) [REDACTED] must have Hormel Foods' approved facilities to farrow and finish hogs year round. All hogs delivered hereunder from week to week must be uniform in size and numbers, and sold on Hormel Foods' Grade & Yield Buying Program. [REDACTED] agrees to arrange delivery with Hormel Foods Hog Procurement personnel by Friday of the week prior to delivery. Delivery days and times shall be determined by Hormel Foods, with delivery expected before 8:00 a.m. and/or after 5:00 p.m.
- (c) [REDACTED] hogs must be supervised by a licensed veterinarian and [REDACTED] must properly use any applicable drugs and adhere to required withdrawal procedures thereto. [REDACTED] must be on the Pork Quality Assurance Program, a HACCP program of America's Pork Producers. [REDACTED] must be at Level III of such Program or obtain Level III of such Program within six months of the date of this Agreement.
- (d) [REDACTED] must use an approved feeding program and Hormel Foods may inspect [REDACTED] hogs and facilities during reasonable business hours on reasonable notice